

**U.S. CUSTOMS SERVICE
OFFICE OF STRATEGIC TRADE
REGULATORY AUDIT DIVISION**

**TREATMENT OF INFORMAL ENTRIES
IN A COMPLIANCE ASSESSMENT**

Introduction

This document provides guidance relating to the removal and/or review of informal entries from the sampling frame when conducting a compliance assessment.

Background

The inclusion of “low value” informal entries in the sample and the resultant calculation of the Compliance Assessment (CA) compliance rates based upon noted errors could distort or adversely affect the importer's compliance rates. During the CA, informal entries are typically not subject to the same level of scrutiny as are most formal entries. Also, one of the most notable issues found during the CA centers around merchandise that is entered as informal merchandise, but should have been entered as formal merchandise. From an overall risk management viewpoint, these entries should be treated differently when analyzing a company's overall risk to Customs. Therefore, the following procedures are being implemented.

Procedures

Segregating Informal Entries

If an ACS line item sample is utilized, informal entries should be segregated (i.e., removed from the Common Checks sampling frame) before sample selection. Since the entry types are designated in ACS, this is an easy process. ACS entry types 11 and 12, which represent informal and informal quota, should be extracted from the sampling frame.

If the sampling frame is generated from the importer's records, then the Computer Audit Specialist should extract the informal entries through a reconciliation process between the importer's records and ACS entry types 11 and 12.

Cursory Review of Informal Entries

Although merchandise categorized as informal will be removed from the common checks sampling frame, the compliance assessment team will perform a cursory analysis of the

informal entries to determine whether the entries should have been categorized as formal. For example, informal merchandise should be analyzed by the CAT to determine whether the merchandise was correctly entered. The CAT should look at the following:

- Anti-dumping merchandise,
- Textiles and textile products > \$250 (19 CFR 12.131),
- Merchandise valued at \$2,000 or greater (19 CFR 143.21), and
- Any other related criteria.

Several compliance assessments have disclosed merchandise that was entered as informal, but should have been entered as formal merchandise. When the importer has a significant number of informal entries and the cursory review indicates non-compliance, or if by chance the total value of the informal entries exceeds \$10 million, the CAT should take a sample as a conditional check to determine the extent of the non-compliance. During this conditional check evaluation, the CAT should keep in mind the overall risk to Customs. Although the total dollar value of the informal entries is not likely to be significant, if the number of instances of non-compliance disclosed during the conditional review reflects a systemic problem, then the CAT should recommend that the systemic problem be corrected. The resultant discrepancies normally would not affect the CA compliance rates.